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Recent developments: Although the South Asia region has witnessed a smaller number of COVID-19 cases than many other regions, tourism activity has faded, and domestic pandemic mitigation measures are weighing heavily on short-term economic activity. Deteriorating economic conditions in advanced economies and major emerging market economies are impacting export-related industries. In addition, the incidence of COVID-19 cases is still rising rapidly regionally.

Industrial and services activity has plummeted in South Asia as a result of pandemic mitigation measures and the collapse in global demand. Trade activity has sharply fallen. Consumption has been severely hindered as nationwide lockdowns were instituted in several economies, despite some recent relaxations. Tourism has become severely constrained by the pandemic, which has led to sharp declines in arrivals in economies such as Bhutan, Nepal, Sri Lanka, and especially Maldives, where tourism accounts for a large share of output.

Regional financial markets have been rattled by global market turmoil, leading to equity index declines, capital outflows, and heightened investor risk aversion, despite some recent stabilization. One outcome is that the effects of lower oil prices and more subdued economic activity is keeping inflation generally contained in the region. Central banks in virtually all major economies in the region have been able to take measures to stimulate economic activity.

Outlook: GDP in the region is projected to contract by 2.7% in 2020 as pandemic mitigation measures hinder consumption and services and uncertainty about the course of the pandemic chill private investment. Despite the relatively modest trade linkages the region has with advanced and major emerging economies, the sheer depth of the global contraction will weigh on economic activity. The regional growth outlook is surrounded by high uncertainty.

In India, growth is estimated to have slowed to 4.2% in FY 2019/20, which ended in March 2020. Output is projected to contract by 3.2% in FY 2020/21, when the impact of the pandemic will largely hit. Stringent measures to control the spread of the virus will heavily curtail activity, despite some support from fiscal and monetary stimulus. Spillovers from weaker global growth and balance sheet stress in the financial sector will also weigh on activity.

Pakistan (-2.6% in FY 2019/20) and Afghanistan (-5.5% in 2020) are both projected to experience contractions, as mitigation measures are anticipated to weigh heavily on private consumption. Key labor-intensive export sectors are expected to contract sharply and recover only slowly.

Growth in Bangladesh (1.6% in FY 2019/20) and Nepal (1.8% in FY 2019/20) is expected to decelerate markedly in 2020 due to pandemic-related disruptions including mitigation measures and sharp falls in exports and remittance inflows. Nepal and Maldives will be hard hit by a drop in tourism.

Risks: Risks to the outlook are heavily skewed to the downside. Despite later and initially smaller COVID-19 outbreaks relative to some other regions, cases have expanded rapidly in India, Pakistan, Afghanistan and Bangladesh. Besides the human toll, there is a risk that the pandemic will trigger a long-lasting rise in poverty, especially among the low-income countries of the region. The region has a high share of workers employed in the informal sector, which adds to the health and economic challenges of dealing with the pandemic. Should supply disruptions give rise to sharp and pervasive rises in food prices, more people could face food insecurity. A continuation of financial market disruptions globally could add pressure to vulnerable balance sheets of the financial sectors in large economies. Spillovers from major trading partners, if more severe than expected, could weigh on economic activity; losses in supply chain linkages could lower medium-term growth prospects.

Protracted low oil prices and further depressed economic activity in the Middle East and North Africa could further curtail remittance flows.

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South Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2017	2018	2019e	2020f	2021f
GDP at market prices (2010 US\$)					
Calendar Year Basis^a					
Afghanistan	2.7	1.8	2.9	-5.5	1.0
Maldives	6.8	6.9	5.2	-13.0	8.5
Sri Lanka	3.6	3.3	2.3	-3.2	0.0
Fiscal Year Basis^a					
	16/17	17/18	18/19e	19/20f	20/21f
Bangladesh	7.3	7.9	8.2	1.6	1.0
Bhutan	6.3	3.8	3.9	1.5	1.8
India	8.3	7.0	6.1	4.2	-3.2
Nepal	8.2	6.7	7.0	1.8	2.1
Pakistan (factor cost)	5.2	5.5	1.9	-2.6	-0.2

Source: World Bank.

Notes: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

a. Please see regional annex for details on fiscal year reporting.

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World Bank Group COVID-19 Response

"The [World Bank Group](#), one of the largest sources of funding and knowledge for developing countries, is taking [broad, fast action](#) to help developing countries strengthen their pandemic response. We are supporting public health interventions, working to ensure the flow of critical supplies and equipment, and helping the private sector continue to operate and sustain jobs. We will be deploying up to \$160 billion in financial support over 15 months to help more than 100 countries protect the poor and vulnerable, support businesses, and bolster economic recovery. This includes \$50 billion of new IDA resources through grants and highly concessional loans."